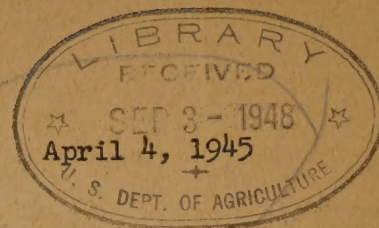


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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.



Administrative Memorandum

SUBJECT: Procedure for the Determination of the Optimum Area and Boundaries of A Borrower's System

1. The optimum area and boundaries of a borrower's system shall be determined in accordance with the following procedures:
 - a. The Chief of the Applications and Loans Division shall, from information available at the central office and after consulting with and considering the recommendations of the Design and Construction and Cooperatives' Operations Divisions, prepare a statement, including a map if considered necessary, of the proposed optimum area and boundaries of the borrower's system and the optimum areas and boundaries of each adjacent system and submit to the Chiefs of those Divisions for their consideration. Such a statement shall consider the following factors with respect to the borrower's system and each adjacent system;
 - (1) factors determining the area proposed for the system, including:
 - (a) possibilities for the expansion of the use of power;
 - (b) existing and potential sources of power within or adjacent to the proposed area;
 - (c) location and character of existing power lines financed through REA;
 - (d) location and character of existing power lines not financed through REA;
 - (e) Possibilities for acquiring existing systems within or adjacent to the proposed area;

- (f) major physical features affecting the management of the system;
 - (g) major cultural features affecting the management of the system;
 - (2) the ability of the borrower to manage properly a system covering the proposed area;
 - (3) State and local regulatory conditions affecting the management of the system covered by the proposed area;
 - (4) other conditions, including those involved by contiguous or adjacent systems, affecting the management of the system.
- b. If the statement proposed by the Chief of the Applications and Loans Division is recommended for approval by both the Chief of the Design and Construction Division and the Chief of the Cooperatives' Operations Division, the Applications and Loans Division shall inform the borrowers concerned of the areas and boundaries developed and request the borrowers' approval. If the previously mentioned statement is not recommended for approval by both the Chief of the Design and Construction Division and the Chief of the Cooperatives' Operations Division, the Chief of the Applications and Loans Division shall submit his proposed statement, together with the recommendations of the Chief of the Design and Construction Division and the Chief of the Cooperatives' Operations Division to the Administrator for determination. Thereafter the Applications and Loans Division shall inform the borrowers of the decision, requesting approvals.
- c. Negotiations with each affected borrower shall be carried on by the Applications and Loans Division until the borrowers' approvals are obtained or until the Chief of that Division, after consulting with the Chief of the Design and Construction Division and the Chief of the Cooperatives' Operations Division, finds that approvals cannot be obtained from all affected borrowers. When the Applications and Loans Division finds that approvals cannot be obtained from all affected borrowers, the matter shall be submitted, with the written recommendation of the Chief of the Applications and Loans Division, the Chief of the Design and Construction Division, and the Chief of the Cooperatives' Operations Division, to the Administrator for advice and further instructions.

- d. When the area and boundaries of a borrower's system are determined, they shall be shown for future reference on the REA record map of the system that is filed in the Management Division. Each such map shall be properly identified to show the date of the Administrator's determination of the area and boundaries.
2. Nothing contained in this Memorandum is to be construed to prevent the determination of the area and boundaries of a system prior to an application for a construction loan.
3. This Memorandum supersedes all other existing instructions in conflict with the provisions of this Memorandum.

William J. Neal

Acting Administrator

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